

17 MAR 1964

MEMORANDUM FOR: Director of Personnel

SUBJECT: Agency Retirement Legislation - H.R. 8427

1. The State Department has now gone forward in S. 745, a bill to provide for adjustments and annuities under the Foreign Service Retirement and Disability System, and picked up several of the amendments to the Civil Service Retirement Act which were made by P.L. 87-793, which was approved 11 October 1962. S. 745 has been passed by the Senate and hearings were started in the Foreign Affairs Committee, House of Representatives, on 9 March 1964. We have been advised also that the other appropriate amendments to the Civil Service Act not picked up in S. 745 will be picked up in various items of legislation planned for presentation to the Congress.

2. Draft proposed amendments to sections 204 and 221, H.R. 8427, together with a draft of a proposed Part J "Cost-of Living Adjustment of Annuities" are forwarded herewith. Although redraft of the sections themselves has not been accomplished, it would also be required that we amend sections 221(f) and 232(b) by striking out "50 per centum" and inserting in lieu thereof "55 per centum" to bring the provisions of H.R. 8427 in accord with the amendments to the Civil Service Act of 11 October 1962. There is also forwarded herewith for consideration a draft section "Adjustment of Annuities." Since further consideration of this section is required, it has not been given a section number within the framework of the present H.R. 8427.

3. During hearings by the Senate Armed Services Committee, it will be necessary to achieve appropriate amendment, or deletion of the Jones Amendment adopted on the floor of the House which requires approval by the chairman and ranking minority member of the House and Senate

Committees on Armed Services, of Agency retirement rules and regulations prior to Agency implementation of such rules and regulations. The Bureau of the Budget has advised that this provision is wholly unacceptable to the Executive Branch and, if continued in the bill, may result in BOB recommendation for veto by the President.

4. In keeping with the caveat imposed by BOB when the retirement bill was cleared for presentation to the Congress, review of Agency rules and regulations for implementation of the Agency retirement system by BOB will be required prior to implementation, and no relief from this requirement is foreseen.

5. In keeping with the overage existing in many divisions, it may be desirable from your viewpoint to implement this legislation immediately upon passage. It is suggested that we meet with you and others of your staff as early as possible to review the foregoing amendment together with such others as you may desire to recommend, and to review the proposed implementing rules and regulations under development by your staff.

SIGNED

JOHN S. WARNER
Legislative Counsel

Attachments: 4

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ANNUITANTS

SEC. 204(b) (3) is amended by substituting a comma for the period at the end of the first sentence and inserting the following: "or such unmarried child between eighteen and twenty-one years of age who is a student regularly pursuing a full-time course of study or training in residence in a high school, trade school, technical or vocational institute, junior college, college, university, or comparable recognized educational institution. A child whose twenty-first birthday occurs prior to July 1 or after August 31 of any calendar year, and while he is regularly pursuing such a course of study or training, shall be deemed for the purposes of this paragraph and section 10(d) to have attained the age of twenty-one on the first day of July following such birthday. A child who is a student shall not be deemed to have ceased to be a student during any interim between school years if the interim does not exceed four months and if he shows to the satisfaction of the Commission that he has a bona fide intention of continuing to pursue a course of study or training in the same or different school during the school semester (or other period into which the school year is divided) immediately following the interim."

ANNUITANTS

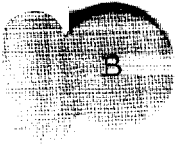
SEC. 204 (b)

. . .

(3) "Child" means an unmarried child, under the age of eighteen years, or such unmarried child regardless of age who, because of physical or mental disability incurred before age eighteen, is incapable of self-support, or such unmarried child between eighteen and twenty-one years of age who is a student regularly pursuing a full-time course of study or training in residence in a high school, trade school, technical or vocational institute, junior college, college, university, or comparable recognized educational institution. A child whose twenty-first birthday occurs prior to July 1 or after August 31 of any calendar year, and while he is regularly pursuing such a course of study or training, shall be deemed for the purposes of this paragraph and section 10(d) to have attained the age of twenty-one on the first day of July following such birthday. A child who is a student shall not be deemed to have ceased to be a student during any interim between

school years if the interim does not exceed four months and if he shows to the satisfaction of the Commission that he has a bona fide intention of continuing to pursue a course of study or training in the same or different school during the school semester (or other period into which the school year is divided) immediately following the interim. In addition to the offspring of the participant and his or her spouse, the term includes (i) an adopted child, and (ii) a stepchild or recognized natural child who received more than one-half of his support from the participant.

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PART C - COMPUTATION OF ANNUITIES

SEC. 221(b) is amended to read as follows: "At the time of retirement, any married participant may elect to receive a reduced annuity and to provide for an annuity payable to his wife or her husband commencing on the date following such participant's death and terminating upon the death of such surviving wife or husband. The annuity payable to the surviving wife or husband after such participant's death shall be 55 per centum of the amount of the participant's annuity computed as prescribed in paragraph (a) of this section, up to the full amount of such annuity specified by him as the base for the survivor benefits. The annuity of the participant making such election shall be reduced by 2 1/2 per centum of any amount up to \$3,600 he specified as the base for the survivor benefit plus 10 per centum of any amount over \$3,600 so specified.

SEC. 221(e) is amended to read as follows: "The annuity payable to a child under paragraph (c) or (d) of this section shall commence on the day after the participant dies and such annuity or any right thereto shall be terminated on the last day

of the month before death, marriage, or attainment of the age of eighteen years, unless incapable of self-support, except that the annuity of a child who is a student as described in section 204(e) (3) shall terminate on the last day of the month before such child dies, marries, ceases to be such a student, or attains 21 years of age.

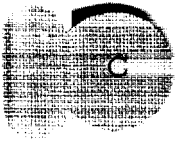
PART C - COMPUTATION OF ANNUITIES

SEC. 221(b) At the time of retirement, any married participant may elect to receive a reduced annuity and to provide for an annuity payable to his wife or her husband, commencing on the date following such participant's death and terminating upon the death of such surviving wife or husband. The annuity payable to the surviving wife or husband after such participant's death shall be 55 per centum of the amount of the participant's annuity computed as prescribed in paragraph (a) of this section, up to the full amount of such annuity specified by him as the base for the survivor benefits. The annuity of the participant making such election shall be reduced by 2 1/2 per centum of any amount up to \$3,600 he specified as the base for the survivor benefit plus 10 per centum of any amount over \$3,600 so specified.

SEC. 221(e) The annuity payable to a child under paragraph (c) or (d) of this section shall commence on the day after the participant dies and such annuity or any right thereto shall

be terminated on the last day of the month before death,
marriage, or attainment of the age of eighteen years, unless
incapable of self-support, except that the annuity of a child who
is a student as described in section 204(e) (3) shall terminate
on the last day of the month before such child dies, marries,
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PART J - COST-OF-LIVING ADJUSTMENT OF ANNUITIES

SEC. 291. (a) On the basis of determinations made by the Civil Service Commission pursuant to section 18 of the Civil Service Retirement Act, as amended, pertaining to per centum change in the price index, the following adjustments shall be made:

(1) Effective April 1, 1966, if the change in the price index from 1964 to 1965 shall have equaled a rise of at least 3 per centum, each annuity payable from the fund which has a commencing date earlier than January 2, 1965, shall be increased by the per centum rise in the price index adjusted to the nearest one-tenth of 1 per centum.

(2) Effective April 1 of any year other than 1966 after the price index change shall have equaled a rise of at least 3 per centum, each annuity payable from the fund which has a commencing date earlier than January 2 of the preceding year shall be increased by the per centum rise in the price index adjusted to the nearest one-tenth of 1 per centum.

(b) Eligibility for an annuity increase under this section shall be governed by the commencing date of each annuity payable from the fund as of the effective date of an increase, except as follows:

(1) Effective from the date of the first increase under this section, an annuity payable from the fund to an annuitant's survivor (other than a child entitled under section 221 (c)), which annuity commenced the day after the annuitant's death, shall be increased as provided in subsection (a) (1) or (a) (2) if the commencing date of annuity to the annuitant was earlier than January 2 of the year preceding the first increase.

(2) Effective from its commencing date, an annuity payable from the fund to an annuitant's survivor (other than a child entitled under section 221 (c)), which annuity commences the day after the annuitant's death and after the effective date of the first increase under this section, shall be increased by the total per centum increase the annuitant was receiving under this section at death.

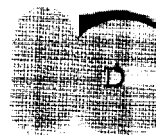
(3) For purposes of computing an annuity which commences after the effective date of the first increase under this section to a child under section 221 (c), the items \$600, \$720, \$1,800 and \$2,160 appearing in section 821 (c) shall be increased by the total per centum increase allowed and in force under this

section and, in case of a deceased annuitant, the items 40 per centum and 50 per centum appearing in section 221 (c) shall be increased by the total per centum increase allowed and in force under this section to the annuitant at death. Effective from the date of the first increase under this section, the provisions of this paragraph shall apply as if such first increase were in effect with respect to computation of a child's annuity under section 221 (c) which commenced between January 2 of the year preceding the first increase and the effective date of the first increase.

(c) No increase in annuity provided by this section shall be computed on any additional annuity purchased at retirement by voluntary contributions.

(d) The monthly installment of annuity after adjustment under this section shall be fixed at the nearest dollar.

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ADJUSTMENT OF ANNUITIES

SEC. (a) The annuity of each person who is entitled to receive an annuity from the fund commencing during the period which begins on the day following the effective date of this section and ending December 31, 1966, shall be increased in accordance with the following table:

If the annuity commences between--	The annuity shall be increased by--
Effective date, and December 31, 1964	3 per centum
January 1, 1965, and December 31, 1965	2 per centum
January 1, 1966, and December 31, 1966	1 per centum

(b) No increase provided by this section shall be computed on any additional annuity purchased at retirement by voluntary contributions.

(c) The increases provided by this section shall take effect on the beginning date of the annuity.

(d) The monthly installment of annuity after adjustment under this section shall be fixed at the nearest dollar.